

A U S T I N C I T Y C O U N C I L

AGENDA



Thursday, May 25, 2006

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Telecommunications & Regulatory Affairs
RECOMMENDATION FOR COUNCIL ACTION

Subject: Approve an ordinance denying an Interim Gas Reliability Infrastructure Program (GRIP) rate adjustment for gas utility investment in 2005 proposed by Atmos Energy Corporation, Mid-Tex Division; requiring the reimbursement of municipal rate case expenses by the regulated utility; and provide for notice of this ordinance to Atmos Energy Corp., Mid-Tex Division. (Related to item #48)

Additional Backup Material (click to open) No Attachments Available
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This RCA is related to the proposed resolution before Council on this date initiating a rate proceeding and requiring Atmos Energy to show cause regarding the reasonableness of its existing rates.

On or about March 30, 2006, Atmos Energy Corporation, Mid-Tex Division, filed a request for an annual Gas Reliability Infrastructure Program (GRIP) interim rate increase with all the cities it serves and with the Texas Railroad Commission of Texas (RRC). The filing notifies cities and the RRC of Atmos' intent to increase rates by \$12 million statewide to recover investment in infrastructure (system expansion, pipe repairs, relocating existing facilities).

This filing is authorized under Section 104.301 of the Texas Utilities Code, which allows gas utilities to recover reasonable increases in capital investments in the gas system through a GRIP customer surcharge without filing a full rate case. The City has original jurisdiction to approve, deny, or suspend a gas utility's GRIP assessment on City customers.

Based on company-provided information, Council approval of the assessment will increase the average monthly bill for approximately 4,800 City of Austin customers for approximately a year, effective May 30, 2006. The GRIP assessment is unnecessary and unreasonable and will adversely impact City customers of Atmos. The average monthly increase per customer class will be:

Residential- \$0.51;
 Commercial - \$1.75; and
 Industrial- \$78.47.

Staff's initial review of the current rates charged by Atmos Mid-Texas concluded that Atmos already collects sufficient revenues to earn its allowed return without the necessity for a surcharge to recover incremental investment and does not require a GRIP surcharge. The 2005 GRIP filing includes expenditures for new office furniture, computers, and other cost efficiency

purchases more likely to benefit shareholders than ratepayers. Atmos included these types of expenditures in their 2003 and 2004 GRIP filings and cities raised objections to the RRC that they were unjustified and non-compliant with the GRIP statute. Unfortunately, the RRC ultimately approved the 2003 and 2004 Atmos rate increases as originally requested.

Staff recommends Council approval of the proposed ordinance, which denies the Atmos request, requires reimbursement of municipal rate case expenses and provides notice of this ordinance to Atmos.